REMARKS

This is in response to the Office Action mailed on July 12, 2004 and the references cited therewith.

No claims are amended, claims 1-20 are canceled, and claims 21-51 are added; as a result, claims 21-51 are now pending in this application.

The references applied to claims 1-20 are discussed and distinguished. The new substitute claims were submitted not to distinguish the art but rather to refocus the claims to provide a different scope of coverage. However, the art cited is nonetheless taken into consideration herein and addressed.

Double Patenting Rejection

Claims 1-20 were rejected under the judicially created doctrine of double patenting over claims 1-34 of U.S. Patent No. 6,363,361.

§103 Rejection of the Claims

Claims 1, 5, 6, 8, 10-13, 15-16 and 19-20 were rejected under 35 USC § 103(a) as being unpatentable over Egendorf (U.S. Patent No. 5,794,221) in view of Brendzel (U.S. Patent No. 5,950,174).

Claims 3 and 4 were rejected under 35 USC § 103(a) as being unpatentable over Egendorf and Brendzel as applied to claim 1 above and further in view of Pollin (U.S. Patent No. 6,041,315).

Claim 18 was rejected under 35 USC § 103(a) as being unpatentable over Egendorf and Brendzel as applied to claim 16 above and further in view of Pollin.

The Background

The embodiments of the inventive subject matter claimed in this application address a problem of US attorneys, and in particular, but not limited to, attorneys that suffer a high out-of-pocket costs to fees ratio. In other words, attorneys that need to advance relatively large sums of cash on behalf of clients. For example, a US patent attorney filing an application in the US on behalf of a foreign applicant may be required to advance over $1000 in cash out-of-pocket

expense, while only billing $750 for the associated legal services. This would be considered by most attorneys as a high ratio of out-of-pocket costs to fees, as the ration is greater than 1 to 1.

In addition, some certified public accountants in the US take the position, based on IRS rulings, that law firms are not entitled to treat out-of-pocket costs as deductible expenses. Rather, these certified public accountants believe that a law firm must treat these cash out-of-pocket advances as if they were loans to clients. This means that the typical law firm must either fund these costs with paid-in capital, or at the end of a year borrow money at the same level of the total out-of-pocket expenses carried carried by the firm at year end, and pay the borrowed money out in salaries (and in effect convert the loan to a deductible salary expense) to avoid being taxed on these so-called loans to clients, which are in effect treated as if they are cash income even though the firm does not have the cash in hand. Borrowing money to cover these costs has the disadvantage of costing the law firm the interest expense incurred in borrowing such money. In addition, banks generally do not like to see law firms borrow money to pay out salaries.

Further, law firms are ethically constrained to only charge clients for actual costs incurred. For example, a law firm may not turn out-of-pocket costs into profit centers. For instance, it is unethical for a law firm to place a surcharge on meals billed to the client if those surcharges result in the law firm making a profit on the meals. As such, a law firm, to be strictly observant of this ethical restriction, should not bill in advance for an expense (without client approval) that the law firm may not actually incur, or may incur at a much lesser level than the amount billed. For example, interest expenses incurred by a law firm to carry out-of-pocket expenses, as conventionally handled, are not known until after the client reimburses the law firm for the out-of-pocket expense. This is because the interest is dependent on the term of the carry period, which again is not known until the client actually reimburses the firm. As a result, billing clients for exact interest in advance is not possible if the law firm does not know exactly when the client will pay their bill, which is usually, if not always, the case.

While it may seem that interest could be billed by the law firm in arrears, i.e., once the reimbursement has taken place and the exact interest is known, this is not an ideal option. It is less than ideal because the amount of interest to be charged with respect to any given out-of-pocket cost is typically small, and law firms do not like to pester their clients with invoices for

small charges, particularly following on the heels of a large invoice for the same matter in a previous month, for fear of looking like the law firm is "nickle and diming" the client. Further, generating separate invoices to collect this interest, and following up for collections, may not be particularly cost effective for a law firm. Thus, billing interest in arrears is not an ideal option for law firms.

Furthermore, law firms seeking to charge interest must also comply with usury laws in many states. Thus, even if a law firm were allowed ethically to charge for interest in advance (or in arrears), the law firm needs to be sure that the ultimate interest or finance charge does not constitute an usurious rate. For instance, if the law firm guesses a client will pay their bill in 60 days, and charges a 2% interest charge up front, but the client pays in one week, then the effective rate is over 100% (52 weeks times 2%) and would be usurious in many states. Accordingly, this is another reason charging interest in advance has presented problems to those that have considered it in the past. The invention subject matter, as claimed herein, addresses this situation to allow law firms to pass finance charges along to its clients

Before discussing the invention as claimed herein, let's first look at why there is no advantage to a law firm to use a credit card to pay such out-of-pocket expenses. Credit card merchant accounts, as would be used by a law firm to accept credit cards, require the law firm to pay a processing fee, typically in the range of 2 to 3%, especially for charges that are made without the card present, which would most often be the case if a law firm charges an out-of-pocket fee to a client's credit card. For instance, if a law firm accepted a client's credit card to pay a $3000 out-of-pocket fee, for example for a PCT filing, the credit card might charge the law firm $60 to $90 to process this charge. The law firm is not usually allowed to pass this charge on to the client due to restrictions imposed by credit card companies or perhaps even laws that forbid merchants from charging a surcharge if customers charge a purchase. Thus, instead of helping reduce the law firm's financing expenses with respect to out-of-pocket expenses, charging such costs to a client's credit card immediately adds expense that the law firm would not incur if the client paid by check or other electronic fund transfer into a law firm account.

Alternatively, the law firm may use its own credit card to pay an out-of-pocket expense, if possible, which is not always the case. For instance, a law firm might charge a filing fee for a US patent application (the Applicant does not admit that this method of payment is prior art but

only discusses it by way of illustration). While the law firm may, by this action, shift the cost of financing the out-of-pocket fee to the vendor (in this case the US Patent and Trademark Office) or credit card company until credit card billing cycle ends, the law firm will thereafter be charged at a typically "high" interest rate, or in other words at an interest rate that is higher than that they might otherwise obtain in a secured financing. Thus, if a client were to wait to pay the law firm for three months after the initial charge to the credit card, the law firm will pay, at a minimum, two months worth of high interest on the charged amount. Thus, the law firm has again paid a financing fee for the out-of-pocket cost that the law firm can only recover after the fact once the client has reimbursed the cost and the term of the carry is known.

Thus, simply using the client's or the law firm's credit card, in a conventional configuration, does not by itself address all the problems of a law firm incurring expenses associated with payment of out-of-pocket costs.

The Applicant's Inventive Subject Matter

To the Applicant's present knowledge, the present application is the first patent application, and perhaps the first document of any kind, to squarely address the problems associated with payment of out-of-pocket costs for law firm clients. Indeed, the Applicant is not aware of any reference being cited in this or related prosecutions that addresses this problem. (For the record, the Applicant has a related case, US. Serial Number 09/378,865 currently under a first rejection, that claims closely related subject matter that is based on the same disclosure as the present application.) As such, the Applicant's view is that there is a dearth of teachings in the cited references relating to the problem, leaving the Applicant's disclosure as the only viable teaching drawn upon in order to not only identify the problem itself, but also to then go forward from there and devise a solution to the problem.

The Applicant's patent application discloses a multi-faceted set of solutions to address the out-of-pocket cost problem. The claims, as they now stand in this application, claim some of these facets, but many more are claimed in related applications. In claim 21, the inventive facets include:

1) a law firm using at least one second account to pay out-of-pocket costs incurred for one or more clients of the law firm;

2) at least some of the out-of-pocket costs are financed;

3) an associated expense is determined for each of at least some of the financed out-of-pocket costs, wherein the associated expense is based on an expense associated with the financing that is at least in part dependent on a length of time the law firm has to wait to be reimbursed for out-of-pocket costs;

4) the associated expense is determined substantially at the same time the corresponding out-of-pocket cost is specified to be paid; and

5) the law firm bills the one or more clients of the law firm for at least some of the financed out-of-pocket costs and for the associated expenses corresponding to the at least some out-of-pocket costs, wherein the billing for corresponding out-of-pocket costs and associated expenses are presented in the same invoice.

This method enables a law firm to bill a finance charge up-front to a client for an out-of-pocket cost. It also enables the up-front charge to be presented in the same invoice as the corresponding out-of-pocket charge, which is advantageous (but not required). Further, this configuration allows for a second account used by the law firm (other than a first account which would typically be the main operating account of the firm) to run such out-of-pocket costs through. Using this second account provides for operationally segregating the cash flow associated with the out-of-pocket costs from the firm's main operating account, which is advantageous (but not required) in that it allows for more easily monitoring the funds used to pay out-of-pocket costs run through the system. This monitoring may take the form of the financing entity making sure that the funds advanced are used for out-of-pocket costs, or this configuration allows for loan funds to be advanced only as needed into the second account.

Claim 37, the other independent claim, provides the following inventive system:

1) a first law firm account and a second account;

2) at least one payment software module operable on a computer to generate payments drawn from the at least one second account and wherein the payments are for out-of-pocket costs incurred for one or more clients of the law firm;

3) a source of funding used to pay at least some of the out-of-pocket costs;

4) an expense determining software module operable on a computer to determine an associated expense for each of at least some of the out-of-pocket costs paid using the source of funding, wherein the associated expense is determined based on one or more parameters that at least in part are related to a length of time the law firm has to wait to be reimbursed for out-of-pocket costs;

5) further wherein the expense is determined substantially at the same time the corresponding out-of-pocket cost is specified to be paid; and

6) at least one billing software module operable on a computer to generate invoices to bill the one or more clients for at least some of the out-of-pocket costs paid using the source of funding and for the associated expenses corresponding to the at least some out-of-pocket costs, wherein the billing for corresponding out-of-pocket costs and associated expenses are presented in the same invoice.

Egendorf

The Applicant has carefully considered the Egendor reference. Before commenting on Egendorf, the following observations are made regarding its teaching:

1) It does not recognize nor discuss the out-of-pocket cost problem experienced by law firms.

2) It does not mention out-of-pocket costs, nor law firms.

3) It does teach that a law firm should use its service.

4) It does not teach anything about how law firms should process or pay expenses.

5) It does not teach anything about how a law firm should bill its client for out-of-pocket costs.

6) It does not teach a law firm using at least one second account to pay out-of-pocket costs incurred for clients.

7) It does teach financing out-of-pocket costs.

8) It does not teach determining an associated expense for each financed out-of-pocket costs.

9) It does not teach basing the associated expense with respect to how long a law firm has to wait to be reimbursed for out-of-pocket costs.

10) It does not teach determining such an associated expense at substantially the same substantially at the same time the corresponding out-of-pocket cost is specified to be paid.

11) It does not teach that a law firm bill the clients of the law firm for at least some of the financed out-of-pocket costs and for the associated expenses in the same invoice.

Rather, Egendorf, in a preferred embodiment, is a method of providing merchants with the ability to offer their customers secure transactions for the purchase of goods and services of any value over the Internet, without the need for the customer to transmit any credit card or other account numbers over the Internet, without the need for the customer to sign up with any additional provider of services, and without the need to change the manner in which most customers currently use the Internet. Which customer accounts are used may be specified in the agreements made between the provider and the customer and between the provider and the vendor, or may be specified in the transactional information. If specified in the transactional information, the selection of account can be made by referencing the type of account (e.g., "VISA", "phone bill"), or the position of that account on a predetermined list (e.g., "the 3rd account"), and does not require that any actual account numbers be transmitted. By the use of this method, there is no need for the customer to transmit over the Internet any information containing any of the customer's billing account numbers thereby maintaining the security of that information.

In accordance with the Egendorf invention, the provider has made arrangements with vendors who wish to sell goods and services over the Internet to the customers of the provider. The provider agrees to do the billing associated with such sales for the vendors, and as part of the agreement, the provider and the vendor have agreed on the manner in which the provider will remit funds to the vendor. Examples of payment include payment by check, credit to the vendor's credit card merchant account, or credit to another account of the vendor's, such as the vendor's cable television account, telephone account, or bank account.

If Egendorf were to teach something relevant to the payment out-of-pocket costs, which the Applicant does not admit nor concede, such teaching would at best be that a law firm could use the provider's service to obtain payment from a law firm client. In this scenario, the vendor would be the law firm and the customer is the client. A client might purchase legal services from the law firm vendor, and the provider would bill the client for the services. In this scenario, a law firm might collect out-of-pocket costs using the provider's service.

Further, Egendorf only pays the vendor a portion of the amount collected from the client:

> "When the customer has made a purchase, the provider charges the transaction amount to the agreed account of the customer and remits the agreed portion of that amount to the vendor, keeping the differential as the provider's charge for making the service available."

This, again, like using a merchant account to bill a client, leaves the vendor with less than what was billed. If the amount billed is out-of-pocket cash, the vendor in essence loses money on an amount advanced. If the vendor is a law firm, then again the net effect is that the law firm suffers an unreimbursed financial cost to fronting cash for the client. This is one of the problems that the Applicant's invention seeks to avoid.

Accordingly, in the Applicant's view, Egendorf is just another way to bill a client for services and offers no relevant advantage over simply charging a client's credit card other than perhaps better security. While the Applicant's system and method could and would certainly be carried out using the Internet, the point of the claimed invention is not to be an Internet billing system.

Brendzel

Before commenting on Brendzel, the initial observations are made concerning its teaching:

1) It does not recognize nor discuss the out-of-pocket cost problem experienced by law firms.

2) It does not mention out-of-pocket costs, nor law firms.

3) It does teach that a law firm should use its service.

4) It does not teach anything about how law firms should process or pay expenses.

5) It does not teach anything about how a law firm should bill its client for out-of-pocket costs.

6) It does not teach a law firm using at least one second account to pay out-of-pocket costs incurred for clients.

7) It does teach financing out-of-pocket costs.

8) It does not teach determining an associated expense for each financed out-of-pocket costs.

9) It does not teach basing the associated expense with respect to how long a law firm has to wait to be reimbursed for out-of-pocket costs.

10) It does not teach determining such an associated expense at substantially the same time the corresponding out-of-pocket cost is specified to be paid.

11) It does not teach that a law firm bill the clients of the law firm for at least some of the financed out-of-pocket costs and for the associated expenses in the same invoice.

Brendzel itself discloses a system which provides for concentration of billing. Specifically, in situations where a party is willing to serve as a financial surrogate for some subscribers of a services provider, savings can be realized by sending the bills for charges accrued by those subscribers ("affiliated subscribers") directly to such a surrogate. The surrogate pays the bills of the affiliated subscribers and may make its own arrangement with the affiliated subscribers to be appropriately compensated. The savings realized by avoiding the billing and collection processes for multiple subscribers can be passed on to the affiliated subscribers and/or to the party that serves as the financial surrogate. In situations where the financial surrogate is itself a subscriber of the services provider, the compensation can be effected by means of a reduction on the surrogate's bill.

Accordingly, on its face, Brendzel does not appear to be a reference that one of skill in the art would look to for teaching in the realm of handling out-of-pocket costs for a law firm. Thus, there seems to be no motivation to combine the teachings of Brendzel with those of Egendorf with respect to the claimed inventions. Even if there were motivation to combine, which there is not, combining Egendorf with Brendzel would not result in the invention as claimed. As noted above, Egendorf itself is basically a substitute for using a client's credit card, which is far afield from the inventive subject matter. Brendzel, if applied to Egendorf, perhaps suggests that the service provider referred to in Egendorf use the system of Brendzel to bill the customers referred to in Egendorf. I.e., instead of billing such customers directly, Egendorf would submit the bills for such customers to a surrogate who would in turn bill the customers, or clients if the analogy is stretched to the instant situation, which analogy the Applicant does not admit is taught by the art. All this configuration would seem to do is alter in one way or another the amount the vendor (e.g. law firm) has to pay to make a collection from a customer (e.g. client). As such the combination of this system still results in an unwanted extra cost to handle

an out-of-pocket cost, when the object is quite the opposite, which is to pass the cost along to the client and not incur any additional cost.

Pollin

Pollin is cited for the limited purpose of supporting the examiner's position that it is obvious to print a copy of a request. Pollin appears to suffer the same deficiencies as the other art as noted above. The Applicant does not believe that Pollin would be looked to by one of skill in the art to solve the out-of-pocket cost problem, and therefore sees no motivation to combine the teaching of Pollin with Egendorf or Bedzel.

Conclusion

Accordingly, the art cited against the original claims does not teach or suggest the inventive subject matter now claimed, and allowance of all claims is respectfully requested. If the examiner has any questions regarding this matter the below signed attorney respectfully requests that he contact him at 612-373-6902.

Conclusion

Applicant respectfully submits that the claims are in condition for allowance, and notification to that effect is earnestly requested. The Examiner is invited to telephone Applicant's attorney at (612) 373-6902 to facilitate prosecution of this application.

If necessary, please charge any additional fees or credit overpayment to Deposit Account No. 19-0743.

Respectfully submitted,

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I hereby certify that this paper is being transmitted by facsimile to the U.S. Patent and Trademark Office on the date shown below.

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